

FILE

Memorandum 11-2

DD/S 69-1928

25 APR 1969

MEMORANDUM FOR THE RECORD

SUBJECT: Voluntary Employee Savings and Investment Plan

1. There has been some speculation that there might be political opposition to the concept that a department or agency of the Government would concern itself with establishing a tax exempt pension trust in order to assist Federal employees to better prepare for their eventual retirement. Such opposition might be motivated by any of the following:

a. Belief that the proposal would reflect adversely on the formal retirement systems of the Government by implying that they are inadequate.

b. Belief that sales of Government bonds by payroll deductions will be significantly reduced by the competition offered.

c. Belief that it would be improper for the Government to encourage the investment of employee savings in "speculative" stocks or mutual funds.

d. Belief that the Agency is being paternalistic to an unhealthy degree.

2. Although it is perfectly possible that there may be some Congressional opposition for the above listed or other reasons, I do not think any such opposition will be significant and I think it can be easily countered. Support for this opinion can be found in current legislative action before the Congress.

3. First, we have the Ervin Bill which is designed in part to protect employees from direct or devious pressures to purchase U.S. Savings Bonds or otherwise donate time or money for favored causes. I believe it is essentially accepted today that Government bonds no longer will be granted immunity from normal economic competition for the savings dollars of Government employees. This is further evidenced by the continuing efforts of the Government in the past two years to offer competitive interest rates on its securities.

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4. There is a bill, S-1769, introduced by Senator Cannon which would allow the Treasury to issue "constant purchasing power bonds" expressly for purchase by individuals and certain institutional groups exclusively for retirement purposes. The bill would provide a special bond which if held to maturity by the original purchaser would be redeemed at face value plus a cost-of-living adjustment as reflected by the Consumers Price Index between the date of purchase and the date of redemption. These bonds are specifically intended for retirement savings. They would be limited to \$10,000 in any one year and \$60,000 in an individual's lifetime. In support of these "retirement" bonds, Senator Cannon points out that "our senior citizens are facing a retirement income crisis unprecedented in the history of our country." The Senator maintains that the Federal Government has a responsibility not to pass the burden of inflation to retirees. (See Congressional Record - Senate 53521)

5. A bill, S-864, 91st Congress, 1st Session, was introduced on 4 February 1969 by Senator Williams for himself and Senators Kennedy, Mondale, Muskie, Yarborough, and Young. The bill would "provide for the establishment of an Institute on Retirement Income which shall conduct studies and make recommendations designed to enable retired individuals to enjoy an adequate retirement income." Among the specific areas stipulated for study is the following: "(d) actions which might be taken by the Federal Government to encourage and assist young and middle aged wage earners more adequately to meet their retirement needs through systematic savings."

6. For what it is worth, it is my opinion that the voluntary employee savings and investment plan is completely responsive to one of the very serious problems of the times. Further, since participation would be utterly voluntary, and since the individual will be offered a free choice of investment philosophies, it is anything but paternalistic. The individual would assume full responsibility as to if or how he participates. The Agency at the most can be charged with helping its employees to help themselves, and without this help, the employees would be denied a tax benefit provided by the law of the land to help provide for retirement.

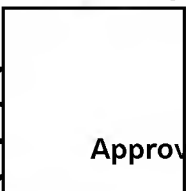


Chairman

Task Force on Employee Pension Trust

cc: Ea Member Task Force

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